PROVINCE OF SASKATCHEWAN

08-09

ANNUAL REPORT

SASKATCHEWAN GRAIN CAR CORPORATION

Table of Contents

Letter of Transmittal

October 1, 2009

His Honour the Honourable Dr. Gordon L. Barnhart,
Lieutenant-Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2009 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Hon. James Reiter
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2009

The Honourable James Reiter
Chairman of the Board

Dear Sir:

As Acting President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the Annual Report for the corporation for the fiscal year ending July 31, 2009.

The SGCC hopper car fleet consists of 910 hopper cars with a cubic capacity of 4550 cubic feet and a total load limit of 101,605kg (224,000lbs.) Since their original purchase 90 hopper cars have been destroyed in derailments.

A recently done inspection of the cars indicates that the SGCC hopper car fleet is in good to very good condition and it is anticipated that they will reach their full service life of 65 years.

The Association of American Railroads (AAR) establishes and manages the rules governing equipment specifications and standards for all North American railways. In 2008, the AAR made the decision to change the rules to allow rail cars built after July 1, 1974 which previously had a mandated 50 year service life, to apply for extended life status which will allow rail cars to remain in service for up to 65 years. As a result of this decision, the SGCC hopper car fleet has approximately 37 years of service remaining.

The mandate of the SGCC is to provide its hopper cars free to shippers when hauling statutory grain to port. Statutory grain movements accounted for 74.4% of all grains and oilseeds tonnage moved in SGCC cars in 2008/09. In 2008/09 the SGCC cars hauled 752,116 tonnes in statutory grain movements as compared to 838,970 tonnes in the previous crop year.

Of the statutory grains hauled, wheat and durum combined accounted for 62.3% and canola accounted for 31.1% of the total.

The 2008/2009 fiscal year has seen a decrease in alternate use revenues for the SGCC with realized alternate use revenues for the year of $ 1.093 Million. This is a decrease of 24% over the five year average of $1,439,155.

The reduction in revenues is partially as a result of the decline of 18.1% in the overall tonnage hauled in SGCC hopper cars. The overall reduction in tonnage can be attributed to the poor economic conditions generally.

The Corporation's staff and I look forward to an exciting and challenging fiscal year 2009/10.

George Stamatinos
Acting President

Quick Facts
Saskatchewan Grain Car Corporation

as of July 31, 2009.

Corporation Established	Oct. 2, 1979
Office	Regina

Board of Directors

James Reiter, Chairperson,
Bob Bjornerud, Vice Chairperson
John Law, Board Member
Alanna Koch, Board Member

Fleet

Cars in service	910
Cars allocated to CN (SKNX 397000-397476)	419
Cars allocated to CPR (SKPX 625000-625522)	491
Cars destroyed to date	90
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,605 kg (224,000 lbs)
LT WT (Light Weight – empty)	28,123 kg (62,000 lbs)
Gross Weight	129,728 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981
Service Life Remaining	37 years*

Financial

Tangible capital assets as of July 1, 2009 – Hopper cars	$15,187,457
Total dividends paid to the General Revenue Fund to date	$15,000,000

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act
Operating Agreement with CN, CPR, and CWB
Alternate Use Agreement with CN and CPR

** The Association of American Railroads (AAR) has made the decision to extend the service life of hopper cars built after July 1, 1974 from 50 years to 65 years. As a result of this decision, the SGCC hopper car fleet now has approximately 37 years of service life remaining.*

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of *the Saskatchewan Grain Car Corporation Act.*

The Saskatchewan Grain Car Corporation hopper car fleet is made available to the grain industry to assist them in getting their crops to market. This is done in two ways. For grain movements originating in the Prairie Provinces and destined to the port terminals in Thunder Bay, Churchill, Vancouver, and Prince Rupert, the SGCC makes its' equipment available at no charge to farmers. For grain movements originating in the Prairie Provinces and destined to inland destinations throughout Canada, the United States, and Mexico a commercial lease fees is charged for the use of the SGCC's hopper cars.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups, and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Values

We believe that through innovation and, by using the assets and intellectual capital resident in the Saskatchewan Grain Car Corporation, we can improve the agricultural economy of Saskatchewan by ensuring that producers have influence on grain transportation policies and practices and that producers benefit from modernization of the grain logistics system.

The Saskatchewan Grain Car Corporation is a workplace of choice because we value creativity, fairness, honesty, excellence, accountability, and personal development, as the most important priorities for our jobs and our working relationships.

Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) mission is to use its resources to maximize the economic benefit to Saskatchewan agriculture as a first priority and for other industries and the province in general as a second priority. In order for the Corporation to remain focused on these priorities, management must be centered on the core hopper car fleet management business while keeping up to date and involved in new innovations and developments in the industry.

The 2008/09 fiscal year has proved to be a very interesting and challenging time for the Corporation. The Corporation's main focus was on managing the 910 steel covered hopper cars.

Management of the Hopper Car Fleet

Utilization of SGCC Fleet

The Corporation's management continues to monitor and work with the railways to ensure that the hopper car fleet is being utilized to its maximum potential under the existing operating agreements.

The SGCC was able to meet its core mandate of ensuring that the hopper car capacity is made available to western farmers for the transportation of their grain to export position.

The 2008/09 crop year saw grain volumes moved in SGCC hopper cars down from the 2007/08 crop year. 1,010,880 tonnes of grain are estimated to have been hauled in SGCC hopper car as compared to 1,234,373 tonnes in the previous year. This equates to a year over year decline of approximately 18.1%.

Alternate use revenues are received for grain moved to domestic destinations throughout Canada, the United States and Mexico.

Total alternate use revenue for the SGCC in the 2008/09 fiscal year were $1,093,967, down 24% from the five year average of $1,439,155. The reduction in revenues is partially as a result of the decline of 18.1% in the overall tonnage hauled in SGCC hopper cars. In addition to the overall reduction in tonnage, another factor impacting the revenues is the lack of congestion in the rail system resulting from the poor economic conditions generally.

The railways pay the SGCC a daily lease fee for the use of its hopper cars in alternate service. In the 2007/08 fiscal year, the average alternate use trip was 24.1 days. In the 2008/09 fiscal year the average alternate use trip was 21.9 days or 9.3% shorter than the previous year.

The reduction in the cycle time for alternate use trips results from an overall reduction in rail traffic within the rail system generally allowing the railways to move the remaining traffic quicker.

Summary of Key Activities

Management of the SGCC Fleet

- **Overall tonnage hauled by the SGCC hopper car fleet declined by 18.1%**
- **Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico declined by 24% in the 2008/09 fiscal year over the five year average.**
- **Duration of alternate use trips declined from 24.1 to 21.9 days as a result of the overall reduction in rail traffic in North America allowing the railways to move the remaining traffic quicker within their systems.**

Note: Due to the unavailability of Canadian Wheat Board (CWB) data, the SGCC Annual Report will be utilizing data from the Canada Grain Commission. As a result of using a different data source small differences will be present in the information presented in comparative information from previous years Annual Reports.

Operations Overview

The SGCC hopper car fleet consists of 910 hopper cars with a cubic capacity of 4550 cubic feet and a total load limit of 101,605kg (224,000lbs.)

Canadian National Railway Ltd. (CN) and Canadian Pacific Railway Ltd. (CPR) have an assigned percentage of the Corporation's hopper car fleet. This allocation can be adjusted on a bi-annual basis based on the total tonnes handled by each railway in the most recent five year period. At the start of the 2008/09 fiscal year, CN has 424 and CPR had 491 hopper cars assigned, respectively.

Throughout the year, CN had five cars destroyed due to derailments and CPR had no car destroyed, leaving them with 419 and 491 hopper cars respectively. A detailed summary of the destroyed cars can be found on page 22 of this report.

The railway responsible for a destroyed hopper car is required to compensate the Corporation based on the guidelines defined by the Association of American Railroads (AAR). The compensation received for the destroyed hopper cars is placed into a Reserve Fund to be used for the replacement and refurbishment of the SGCC fleet.

The Corporation's staff continues to use a computerized car tracking system to monitor the day-to-day movements of the fleet, enabling them to identify such things as inactive cars, bad orders and determining the destinations of movements for billing purposes.

This system assists in identifying issues around the timely repair of hopper cars, notification of destroyed cars leased to the railways, and identifying periods where the cars can be utilized for commercial leasing.

The Corporation's hopper car fleet is utilized for both statutory and commercial movements. The majority of the movements are statutory grain movements. They originate in western Canada and are destined for export through port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. These movements are defined in the 1981 Operating Agreement between SGCC, the Canadian Wheat Board (CWB), CN and CPR. The SGCC provides its hopper cars free of charge for all statutory grain movements.

The commercial movements are all grain movements destined to the U.S. and Mexico or to non-export points in Canada or non-grain commodities such as potash, to all destinations. Commercial movements are subject to full commercial lease rates.

2008/09 Fleet Highlights

- **419 hopper cars on CN Lines**
- **491 hopper cars on CPR Lines**
- **5 hopper cars destroyed**
- **90 hopper cars destroyed to date**

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Alternate use revenues are received for grain moved to domestic destinations throughout Canada, the United States and Mexico.

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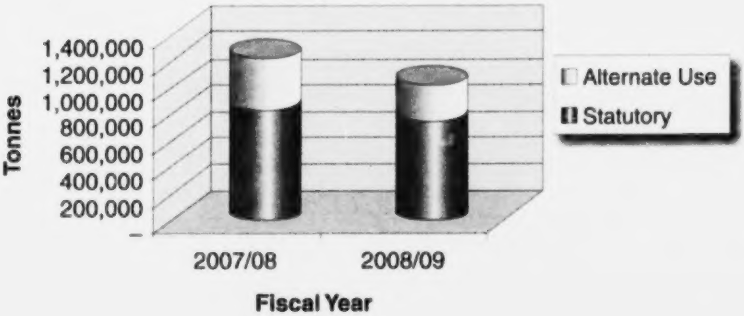
Hopper Car Activity

The 2008/09 crop year saw grain volumes moved in SGCC hopper cars down from the 2007/08 crop year. 1,010,880 tonnes of grain are estimated to have been hauled in SGCC hopper cars as compared to 1,234,373 tonnes in the previous year. This equates to a year over year decline of approximately 18.1%.

Grain Hauled by SGCC



Statutory Grain Service

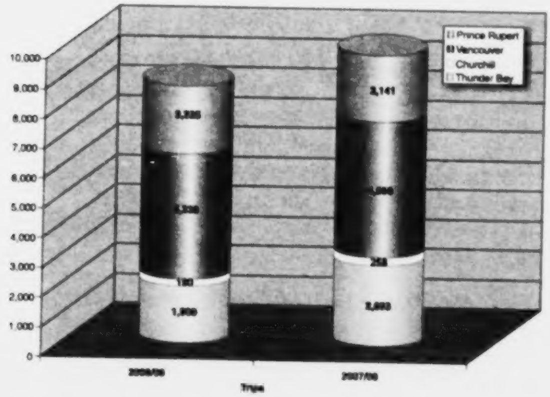
Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CPR and CWB in which the rail companies are allowed to use the Corporation's cars free of charge to move the six major grains from the Prairie Provinces to port locations at Thunder Bay, Churchill, Vancouver and Prince Rupert for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector has diversified and evclved this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of *the Canada Transportation Act.* Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge

Canada Grain Commission (CGC) statistics reported total statutory movements in SGCC hopper cars of 752,116 tonnes in 2008/09 as compared to 838,970 tonnes in the previous crop year. This is a 10.4% decrease in statutory movements. Statutory grain service accounted for 74.4% of all grains and oilseeds tonnage moved in 2008/09.

Summary of all Statutory Grain Movements in SGCC Cars

	2008/2009		2007/2008	
	Total Tonnage	**Total Trips**	**Total Tonnage**	**Total Trips**
Wheat	399,450	4238	429,947	4627
Durum	69,228	731	85,572	921
Oats	5,973	83	12,246	178
Barley	32,061	381	94,354	1159
Rye	0	0	1,720	19
Flax	11,153	148	16,703	219
Canola	234,252	2976	2198,429	2527
Total	752,116	8,557	838,970	9,650

Statutory Grain Services – Destinations 2008/09 - 2007/08



Alternate Use/Commercial Service

Alternate use movements are those hopper car movements outside the parameters of the 1981 Operating Agreement. The Corporation has formal alternate use agreements signed with CN and CPR allowing the railways to transport commodities when the SGCC hopper cars are not required in statutory grain service. The majority of the movements are for the carriage of the six major grains to domestic destinations throughout Canada, the United States and Mexico.

Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico in the 2008/09 fiscal year were $1,093,967, down 24% from the five year average of $1,439,155. The reduction in revenues is partially as a result of the decline of 18.1% in the overall tonnage hauled in SGCC hopper cars. In addition to the overall reduction in tonnage, another factor impacting the revenues is the lack of congestion in the rail system resulting from the poor economic conditions generally.

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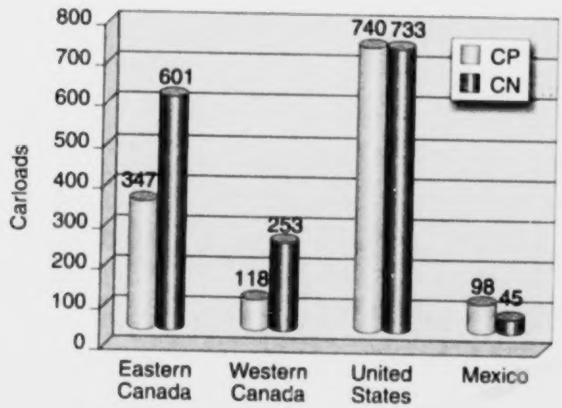
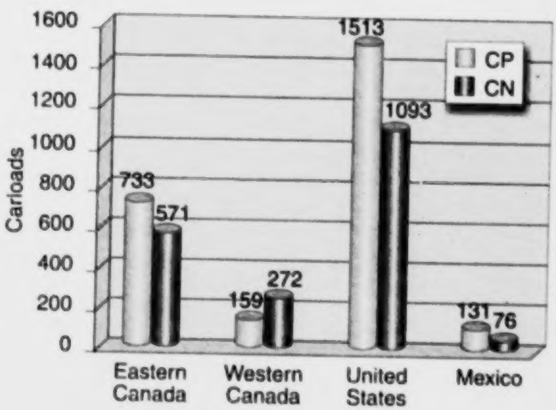
In 2008/09 SGCC hopper cars were used in 2,944 commercial car movements. This down from 4,548 movements in the previous year, a reduction of 35.2%.

Commercial Service – Destinations 2008/09



Commercial Service – Destinations 2007/08



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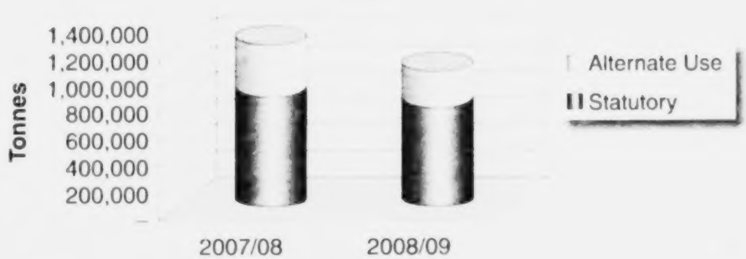

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Total	**752,116.54**	**8,557**	**838,970.42**	**9,650**

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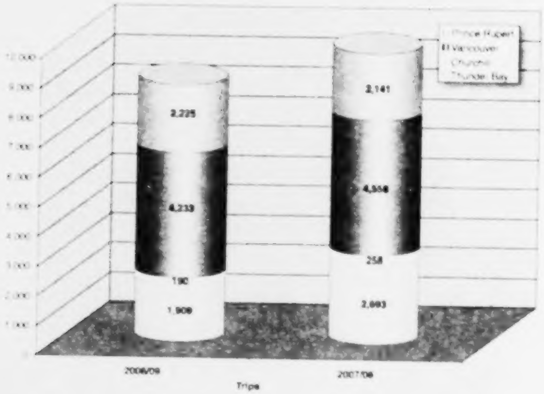

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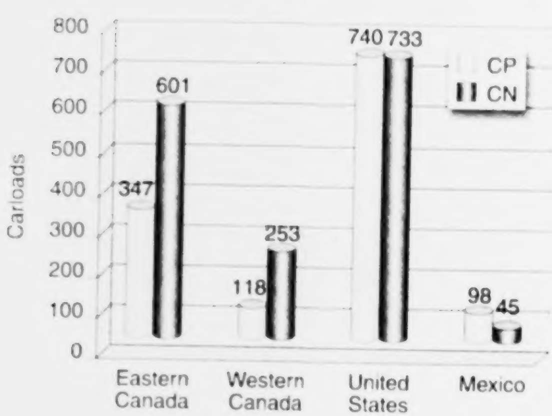

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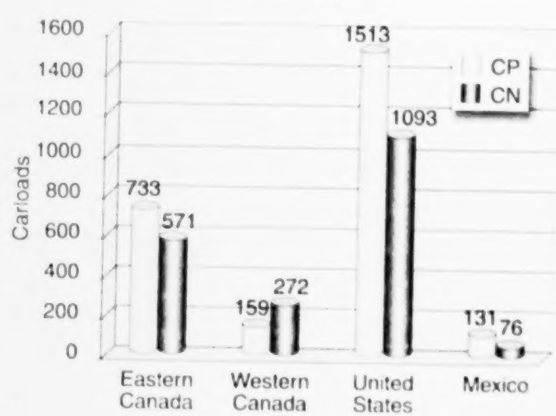

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2009.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2009.

The financial statements have been audited by the Corporation's external auditors, Skilnick Miller Moar Grodecki & Kreklewich, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.

George Stamatinos

Regina, Saskatchewan
September 20, 2009

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2009, and the statements of operations and net assets, change in net financial assets and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2009 and the results of its operations and net assets, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SKILNICK MILLER MOAR GRODECKI & KREKLEWICH
Chartered Accountants

Melville, Saskatchewan
September 3, 2009

Statement of Financial Position

as at July 31, 2009.

STATEMENT 1

	2009	2008
FINANCIAL ASSETS		
Cash (Note 2)	$ 35,426	$ 7,715
Due from General Revenue Fund (Notes 4 & 7)	3,597,842	1,981,574
Accounts receivable (Note 7)	125,897	850,340
Goods and services tax receivable	65	Nil
Other investments (Notes 2 & 6)	407,349	407,349
TOTAL FINANCIAL ASSETS	$ 4,166,579	$ 3,246,978
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 17,848	$ 29,123
Goods and services tax payable	Nil	6,319
Deferred fleet revenue (Note 2, 3, & 7)	711,707	447,122
TOTAL LIABILITIES	$ 729,555	$ 482,564
NET FINANCIAL ASSETS – STATEMENT 3	$ 3,437,024	$ 2,764,414
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2 & 5)	$ 15,187,457	$ 16,531,890
TOTAL NON-FINANCIAL ASSETS	$ 15,187,457	$ 16,531,890
NET ASSETS – STATEMENT 2	$ 18,624,481	$ 19,296,304

(See Accompanying Notes to Financial Statements)

Approved on behalf of the Board:

Jim Reiter
Chairperson of the Board

Statement of Operations and Net Assets

For the Year Ended July 31, 2009.

STATEMENT 2

	2009 BUDGET	2009	2008
REVENUES			
Car leasing – Alternate use (Note 3)	$ 1,500,000	$ 1,093,967	$ 1,864,169
Interest (Notes 4 & 8)	32,000	28,317	36,831
Fleet revenue (Note 7)	Nil	Nil	Nil
Model car royalties	10,000	11,498	Nil
Other	Nil	Nil	800
TOTAL REVENUES	$ 1,542,000	$ 1,133,782	$ 1,901,800
EXPENSES			
Administration (Schedule 1)	$ 156,600	$ 84,623	$ 90,233
Amortization (Notes 2 & 5)	1,260,000	1,258,670	1,265,937
Destroyed grain cars – Fleet assets	107,000	85,763	130,832
Fleet repair and maintenance	30,000	30,003	30,000
Salaries and benefits (Notes 8 & 9)	539,000	337,248	312,850
Travel and sustenance	25,000	9,298	16,233
TOTAL EXPENSE	$ 2,117,600	$ 1,805,605	$ 1,846,085
(DEFICIT) SURPLUS FOR THE YEAR	$ (575,600)	$ (671,823)	$ 55,715
Net Assets, beginning of year		19,296,304	19,240,589
Dividends paid to the General Revenue Fund		Nil	Nil
NET ASSETS, END OF YEAR		$ 18,624,481	$ 19,296,304

(See Accompanying Notes to Financial Statements)

Statement of Change in Net Financial Assets

For the Year Ended July 31, 2009.

STATEMENT 3

	2009	2008
(Deficit) Surplus for the year	$ (671,823)	$ 55,715
Tangible capital assets		
Amortization	1,258,670	1,265,937
Destroyed grain cars – fleet assets	85,763	130,832
Net change in tangible capital assets	$ 1,344,433	$ 1,396,769
Increase in net financial assets	672,610	1,452,484
Net financial assets, beginning of year	2,764,414	1,311,930
Dividend paid to General Revenue Fund	Nil	Nil
NET FINANCIAL ASSETS, END OF YEAR	$ 3,437,024	$ 2,764,414

(See Accompanying Notes to Financial Statements)

Statement of Cash Flows

For the Year Ended July 31, 2009.

STATEMENT 4

		2009		2008
OPERATING ACTIVITIES				
(Deficit) Surplus for the year	$	(671,823)	$	55,715
Non-cash items included in surplus (deficit) for the year:				
– Amortization		1,258,670		1,265,937
– Destroyed grain cars – fleet assets		85,763		130,832
Change in non-cash operating activities:				
– Decrease (Increase) in accounts receivable		724,443		(411,122)
– Decrease in accounts payable and accrued liabilities		(11,275)		(147,247)
– Net change in goods and services tax receivable/payable		(6,384)		(1,320)
– Increase in deferred fleet revenue		264,585		213,503
Cash provided by operating activities	$	1,643,979	$	1,106,298
CAPITAL ACTIVITIES				
Acquisitions of tangible capital assets	$	Nil	$	Nil
FINANCIAL ACTIVITIES				
Dividends paid to General Revenue Fund	$	Nil	$	Nil
INCREASE IN CASH AND CASH EQUIVALENTS	$	1,643,979	$	1,106,298
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,989,289		882,991
CASH AND CASH EQUIVALENTS, END OF YEAR	$	3,633,268	$	1,989,289

SUMMARY OF CASH AND CASH EQUIVALENTS

		2009		2008
Cash	$	35,426	$	7,715
Due from General Revenue Fund		3,597,842		1,981,574
	$	3,633,268	$	1,989,289

(See Accompanying Notes to Financial Statements)

Notes to Financial Statements

July 31, 2009.

1. STATUS OF THE CORPORATION

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act.*

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Corporation is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are as follows:

a) Revenue

Revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

Fleet revenue for destroyed grain cars, including interest earned on externally restricted funds, is recognized in the year when disbursements are made to purchase, upgrade, repair and maintain the grain car fleet.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives of 40 years.

c) Investments

The investment in shares of West Central Road & Rail Ltd. is recorded at cost, and dividends from these shares are recorded as revenue when receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the Statement of Operations in the current period.

e) Measurement Uncertainty

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

3. OPERATING AGREEMENTS

The Corporation entered into Operating Agreements from August 1, 2007 to July 31, 2009 with Canadian National Railway Company and Canadian Pacific Railway Limited which allows the railways to lease the Corporation's cars free of charge for the Movement of Grain. Movement of Grain refers to the movement to port of grain products as listed under the *Canada Transportation Act*.

The railway may lease the Corporation's cars for commercial service provided the cars are surplus to the requirements for Movement of Grain. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with Transport Canada, Federal Railway Administration and Association of American Railroads (AAR) Rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railways are required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR. All amounts received from the railways as compensation for destroyed grain cars are recorded as deferred fleet revenue.

4. DUE FROM GENERAL REVENUE FUND

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2008/2009 was 1.23% (2007/2008 3.85%).

5. TANGIBLE CAPITAL ASSETS

The Corporation purchased 1,000 covered hopper cars in 1981. As of July 31, 2009, 90 cars have been destroyed; the remaining 910 cars are in service.

ROLLING STOCK	Cost	Accumulated Amortization	Book Value
Balance, beginning of the year	$ 50,544,911	$ 34,013,021	$ 16,531,890
Current disposal – destroyed grain carfs	276,263	190,500	85,763
	50,268,648	33,822,521	16,446,127
Current Amortization – 2.5%		1,258,670	1,258,670
Balance, end of year	$ 50,268,648	$ 35,081,191	$ 15,187,457

6. INVESTMENT IN SHARES OF WEST CENTRAL ROAD & RAIL LTD.

The Corporation owns 4,000 Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. As per the agreement, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

7. DEFERRED FLEET REVENUE AND RESTICTED FUNDS

In accordance with the operating agreements described in Note 3, compensation for destroyed grain cars received from Canadian National Railway Company and Canadian Pacific Railway Limited is recorded as deferred fleet revenue as the agreements specify that the funds must be used for future purchase, upgrade, repair and maintenance of the grain car fleet.

The amounts for deferred fleet revenue and restricted funds are as follows:

	2009	2008
Deferred Revenue, Beginning of Year	$ 447,122	$ 233,619
Add restricted funds received:		
Compensation for destroyed grain cars (Note 3)	141,949	202,813
Interest allocated (Notes 2, 4 & 8)	6,070	10,690
Refund of provincial sales tax	116,566	Nil
	711,707	213,503
Deduct fleet revenue recognized:		
Acquisitions – fleet upgrades (Note 5)	Nil	Nil
Fleet repair and maintenance	Nil	Nil
	Nil	Nil
Deferred Fleet Revenue, End of Year	$ 711,707	$ 447,122

Restricted Funds	**2009**	**2008**
Due from General Revenue Fund	$ 711,556	$ 446,450
Accounts receivable	151	871
Accounts payable and accrued liabilities	Nil	(199)
	$ 711,707	$ 447,122

8. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:		2009		2008
Deferred Fleet Revenue				
Government of Saskatchewan (General Revenue Fund) Interest	$	6,070	$	10,690
Revenues				
Government of Saskatchewan (General Revenue Fund) Interest	$	28,317	$	36,831
Expenses				
Ministry of Highways and Transportation				
Salaries and Benefits	$	16,805	$	15,847
Information Technology Office				
Computer maintenance	$	8,890	$	14,940
Hardware	$	Nil	$	678
Software	$	325	$	336
Ministry of Government Services				
Rent – office space	$	34,676	$	34,000
Printing and copying	$	461	$	471
Office Supplies	$	275	$	30
Consulting Services	$	3,086	$	Nil
Saskatchewan Telecommunications				
Telecommunications	$	5,086	$	5,665
Workers' Compensation Board (Saskatchewan)				
Salaries and benefits	$	2,265	$	2,773

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. PENSION PLAN

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (related party) is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2009 amounted to $19,634 (2008 - $22,131).

Schedule of Administration Expenses

For the Year Ended July 31, 2009.

SCHEDULE 1

	2009 Budget	2009	2008
Advertising and promotion	$ 2,000	$ Nil	$ 836
Bank charges	600	494	503
Computer hardware (Note 8)	1,000	Nil	678
Computer maintenance (Note 8)	34,000	8,890	14,940
Computer software (Note 8)	2,000	1,183	1,155
Conferences and professional development	4,000	995	1,893
Consulting services (Note 8)	25,000	3,929	5,057
Miscellaneous	2,000	1,273	1,645
Office equipment and supplies (Note 8)	5,000	2,394	1,740
Printing, copying, postage and courier (Note 8)	6,000	2,640	3,079
Professional services	18,000	9,168	9,220
Rent – office space (Note 8)	40,000	38,726	36,129
Subscriptions and memberships	10,000	9,845	7,693
Telecommunications (Note 8)	7,000	5,086	5,665
TOTAL – TO STATEMENT 2	$ 156,600	$ 84,623	$ 90,233

(See Accompanying Notes to Financial Statements)

Expenditure Disclosure

For the year ending July 31, 2009

Employee receiving payments totaling $50,000 or more for salaries or wages:

	2009	2008
Kelly Moskowy	111,365	101,667
Tim Shoulak	96,398	87,831
Shannon Lindholm (Employee returned from maternity leave in 2007/08)	77,163	23,536
Total	$ 284,926	$ 213,034

Suppliers/consultants receiving payments totaling $50,000 or more for goods and/or services:

In the 2008/09 fiscal year, no payments totaling $50,000 or more were made to suppliers/consultants.

Statistical Summary

Year as of July 31, 2009	Cars In Service			Cars Destroyed			Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80	–	–	–	–	–	–	–	
1980/81	477	273	750	–	–	–	–	
1981/82	477	523	1,000	–	–	–	$ 56,294	
1982/83	477	523	1,000	–	–	–	$ 11,850	
1983/84	475	523	998	2	–	2	–	
1984/85	475	523	998	–	–	–	–	
1985/86	475	523	998	–	–	–	–	
1986/87	474	523	997	1	–	1	–	
1987/88	474	523	997	–	–	–	–	
1988/89	474	523	997	–	–	–	$ 1,099,441	
1989/90	474	523	997	–	–	–	$ 92,310	
1990/91	474	523	997	1	–	1	$ 146,343	
1991/92	473	522	995	–	1	1	$ 268,342	
1992/93	473	522	995	–	–	–	$ 326,047	
1993/94	472	522	994	1	–	1	$ 816,083	
1994/95	472	518	990	–	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	–	2	$ 991,526	
1997/98	468	509	977	–	5	5	$ 1,089,116	(See note 1, page 27)
1998/99	468	509	977	–	–	–	$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3	–	3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12	–	12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6	–	6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2208/09	419	491	910	5	–	5	$ 1,093,967	
Total	419	491	910	58	32	90	$ 21,582,765	

Statistical Summary

	CN	CP	Total	CN	CP	Total		
1979/80	–	–	–	–	–	–	–	
1980/81	477	273	750	–	–	–	–	
1981/82	477	523	1,000	–	–	–	$ 56,294	
1982/83	477	523	1,000	–	–	–	$ 11,850	
1983/84	475	523	998	2	–	2	–	
1984/85	475	523	998	–	–	–	–	
1985/86	475	523	998	–	–	–	–	
1986/87	474	523	997	1	–	1	–	
1987/88	474	523	997	–	–	–	–	
1988/89	474	523	997	–	–	–	$ 1,089,441	
1989/90	474	523	997	–	–	–	$ 92,310	
1990/91	474	523	997	1	–	1	$ 146,343	
1991/92	473	522	995	–	1	1	$ 268,342	
1992/93	473	522	995	–	–	–	$ 326,047	
1993/94	472	522	994	1	–	1	$ 816,083	
1994/95	472	518	990	–	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	–	2	$ 991,526	
1997/98	468	509	977	–	5	5	$ 1,089,116	*(See note 1, page 27)*
1998/99	468	509	977	–	–	–	$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	*(See note 2, page 27)*
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3	–	3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12	–	12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6	–	6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2208/09	419	491	910	5	–	5	$ 1,093,967	
Total	**419**	**491**	**910**	**58**	**32**	**90**	**$ 21,582,765**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
– Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
– Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
– Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
– Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

Definitions

Bad Orders
A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles
A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service
Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of *the Canada Transportation Act.* For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets
Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Dunnage
Is the name for the materials used in holds and containers to protect goods and their packaging from moisture, contamination and mechanical damage. Dunnage may include plastic films, jute coverings, tarpaulins, wood (wooden dunnage, i.e.; pallets), rice matting, non-wovens, liner bags or also inlets etc.. Depending on the use to which it is put, dunnage may be divided into floor, lateral, interlayer and top dunnage.

Gross Weight
Total of weight of car, net load, and dunnage.

Light Weight (LT WT)
Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)
Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne
A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock
Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash
Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service
Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of *the Canada Transportation Act.* Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

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